

New Financial Vulnerability Index Tracks the Economic Impact of Brexit and COVID-19 on Households Across the UK

- Project undertaken by Lowell, one of Europe's largest credit management companies, and the Urban Institute, a U.S.-based research organisation
- Financial Vulnerability Index shows North East as highest financial vulnerability in the UK
- Blackpool South most financially vulnerable parliamentary constituency in the UK
- London has shown the most rapid increase in vulnerability since the start of the pandemic

As the United Kingdom continues to deal with the economic effects of Brexit and the COVID-19 pandemic, a new [Financial Vulnerability Index](#) documents changes in the ability of households to manage daily finances and adapt to sudden economic changes.

The [Financial Vulnerability Index](#), a joint project between Lowell, one of the largest credit management services companies in Europe, and the Urban Institute, a U.S.-based research organisation dedicated to developing evidence-based insights that improve people's lives and strengthen communities, uses unique Lowell data and publicly available data to measure household financial vulnerability across the UK, as well as nationally, regionally and at a parliamentary constituency level. Analysing the three-year period from the third quarter of 2017 through to the second quarter of 2020, researchers found:

- UK household financial vulnerability was relatively stable in the period after Article 50 was triggered, increased as Brexit negotiations unfolded, and accelerated dramatically with the start of the COVID-19 pandemic.
- Financial vulnerability varies significantly across the UK. Households in the North East of England were consistently more likely to be financially vulnerable than any other region or country of the UK. In contrast, households in the South East of England were the least vulnerable.
- Many parliamentary constituencies in areas that have historically relied on heavy industrial manufacturing, such as Middlesbrough, and those representing coastal towns, such as Blackpool South, showed consistently more financial vulnerability than other parts of the UK.
- A rapid increase in financial hardship in parliamentary constituencies in London, such as Tottenham, Walthamstow, and East Ham, started at the onset of the COVID-19 pandemic. The increase in household financial vulnerability in these areas likely reflects changes in the labour market during the pandemic, as workers in London rely heavily on service jobs.

During economic crises, financially healthy citizens can better weather the storm, help stabilise finances, and contribute to economic recovery. But financial health is unevenly distributed across the UK.

John Pears, UK CEO of Lowell, said: "Understanding the financial health of our nation is so important when trying to tackle the root causes of vulnerability. Policymakers need a clearer view. Lowell wants to be a part of the solution, to build financial health and make credit work better for everyone. Our collaboration with Urban is putting our extensive data to work and building an incredibly detailed picture of the UK that will inform policymaking going forward. It is abundantly clear that the many familiar regional inequalities persist,

but we have uncovered hidden vulnerabilities too in London, for example. There are communities that need help and support to prevent irreparable damage from the pandemic and in the future.”

Signe-Mary McKernan, Vice President for Labour, Human Services, and Population at the Urban Institute said: “A household’s ability to manage daily finances and effectively respond to economic shocks is crucial to both household financial well-being and the economic health of the communities in which they live. The Financial Vulnerability Index can help policymakers in the UK assess the state of their constituents’ financial health and target resources to advance an inclusive recovery.”

Christopher Trepel, Lowell’s Chief Data Scientist, said: “At a time when many UK households are facing strong financial headwinds, this first release in a bi-annual research programme provides a unique perspective on the patterns and extent of the pressure felt by consumers. The insights derived from our financial vulnerability index will better inform national and local strategies to address economic crises, strengthen Lowell’s connection with consumers, and significantly improve our understanding of UK financial distress.”

The Financial Vulnerability Index is based on six components that capture a household’s ability to manage daily finances and resist economic shocks: (1) carrying defaulted debt, (2) using alternative financial products, (3) claiming work-related social benefits, (4) lacking emergency savings, (5) holding a high cost loan, and (6) relying heavily on credit. These components are measured using Lowell’s research and operational data, the UK Financial Lives Survey, and data from the UK’s Department of Work and Pensions and the Office for National Statistics.

This [data tool](#) and related [report](#) are a joint project of Lowell and the Urban Institute. Lowell and Urban researchers collaborated on all stages of the research. In addition, Lowell provided funds and operational and research data used to create the index.

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About Lowell

Lowell is one of Europe’s largest credit management companies with a mission to make credit work better for all. It operates in the UK, Germany, Austria, Switzerland, Denmark, Norway, Finland, and Sweden.

Lowell’s unparalleled combination of data analytics insight and robust risk management provides clients with expert solutions in debt purchasing, third party collections and business process outsourcing. With its ethical approach to debt management, Lowell always looks for the most appropriate, sustainable and fair outcome for each customer’s specific circumstances.



Lowell was formed in 2015 following the merger of the UK and German market leaders: the Lowell Group and the GFKL Group. In 2018, Lowell completed the acquisition of the Carve-out Business from Intrum, which has market leading positions in the Nordic region. It is backed by global private equity firm Permira and Ontario Teachers' Pension Plan.

For more information on Lowell, please visit our investor website: www.lowell.com

About the Urban Institute

The nonprofit Urban Institute is a leading research organization dedicated to developing evidence-based insights that improve people's lives and strengthen communities. For 50 years, Urban has been the trusted source for rigorous analysis of complex social and economic issues; strategic advice to policymakers, philanthropists, and practitioners; and new, promising ideas that expand opportunities for all. Our work inspires effective decisions that advance fairness and enhance the well-being of people and places.